

**Centerville Health Care Center  
Centerville, Tennessee**

**Cost Report and Resident Accounts  
For the Period  
January 1 Through December 31, 2001**

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STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
State Capitol  
Nashville, Tennessee 37243-0260  
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John G. Morgan  
Comptroller

June 24, 2004

The Honorable Phil Bredesen, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Mr. Manny Martins, Director  
Bureau of TennCare  
729 Church Street, Fifth Floor  
Nashville, Tennessee 37247

Ladies and Gentlemen:

Pursuant to Section 71-5-130, *Tennessee Code Annotated*, and a cooperative agreement between the Comptroller of the Treasury and the Department of Finance and Administration, the Division of State Audit performs examinations of nursing facilities participating in the Tennessee Medical Assistance Program under Title XIX of the Social Security Act (Medicaid).

Submitted herewith is the report of the examination of the Medicaid cost report of Centerville Health Care Center, Centerville, Tennessee, for the period January 1 through December 31, 2001, and resident accounts for the period January 1 through December 31, 2001.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/pn  
03/024

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report  
**Centerville Health Care Center**  
Centerville, Tennessee  
Cost Report and Resident Accounts  
For the Period  
January 1 Through December 31, 2001

## FINDINGS RECOMMENDING MONETARY REFUNDS

### **Deficiencies in Accumulation of Hospital Leave Days and Support of Reported Days**

Centerville Health Care Center did not adequately support hospital leave day accumulations and charged the program for leave days while operating below 85% occupancy. As a result, the facility overstated both Medicaid NF-1 and total days on the cost report and overcharged the Medicaid program \$12,312 (page 5).

### **Need to Properly Manage Unrefunded Credit Balances**

Centerville Health Care Center retained credit balances in the trust accounts of four former patients and did not retain evidence of efforts to refund the balances. The State of Tennessee is

due \$529 and the United States Government is due \$580 (page 6).

### **Nonallowable Expenses Included on the Cost Report**

Centerville included \$15,042 of nonallowable expenses on the Medicaid cost report. As a result of this adjustment as well as the adjustment to patient days and charges, the facility was overpaid \$19,920 computed from July 1, 2002, through June 30, 2004 (page 7).

### **Excessive Charges to Medicaid Residents**

Centerville Health Care Center improperly charged private residents less for room and board per day than Medicaid NF-1 residents were charged for comparable services. As a result, the facility was overpaid \$3,896.22, computed from October 1 through November 30, 2001 (page 8).

**Centerville Health Care Center  
Centerville, Tennessee  
Cost Report and Resident Accounts  
For the Period  
January 1 Through December 31, 2001**

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**TABLE OF CONTENTS**

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	<u>Page</u>
<b>INTRODUCTION</b>	1
Purpose and Authority of the Examination	1
Background	1
Prior Examination Findings	2
Scope of the Examination	2
<b>INDEPENDENT ACCOUNTANT'S REPORT</b>	3
<b>FINDINGS AND RECOMMENDATIONS</b>	5
1) Deficiencies in accumulation of hospital leave days and support of reported days	5
2) Need to properly manage unrefunded credit balances	6
3) Nonallowable expenses included on the cost report	7
4) Excessive charges to Medicaid residents	8
Summary of Monetary Findings and Recommendations	9

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**INTRODUCTION**

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**PURPOSE AND AUTHORITY OF THE EXAMINATION**

The terms of contract between the Tennessee Department of Finance and Administration and the Tennessee Comptroller's office authorize the Comptroller to perform examinations of nursing facilities that participate in the Tennessee Medicaid Nursing Facility Program.

Under their agreements with the state and as stated on cost reports submitted to the state, participating nursing facilities have asserted that they are in compliance with the applicable state and federal regulations covering services provided to Medicaid-eligible recipients. The purpose of our examination is to render an opinion on the nursing facilities' assertions that they are in compliance with such requirements.

**BACKGROUND**

To receive services under the Medicaid Nursing Facility Program, a recipient must meet Medicaid eligibility requirements under one of the coverage groups included in the *State Plan for Medical Assistance*. The need for nursing care is not in itself sufficient to establish eligibility. Additionally, a physician must certify that recipients need nursing facility care before they can be admitted to a facility. Once a recipient is admitted, a physician must certify periodically that continued nursing care is required. The number of days of coverage available to recipients in a nursing facility is not limited.

The Medicaid Nursing Facility Program provides for nursing services on two levels of care. Level I Nursing Facility (NF-1) services are provided to recipients who do not require an intensive degree of care. Level II Nursing Facility (NF-2) services, which must be under the direct supervision of licensed nursing personnel and under the general direction of a physician, represent a higher degree of care.

Centerville Health Care Center, Centerville, Tennessee, provides both NF-1 and NF-2 services. The facility is owned and operated by Chattanooga Medical Investors LP with real property owned by and leased from Healthcare Realty of Tennessee LP. The facility is managed by Life Care Centers of America, a related party to both partnerships.

During the examination period, the facility maintained a total of 132 licensed nursing facility beds. The Division of Quality Assurance of the Department of Health licensed the facility for these beds. Eligible recipients receive services through an agreement with the Department of Health. Of the 48,180 available bed days, the facility reported 30,990 for Medicaid NF-1 patients and 1,330 for Medicaid NF-2 patients during the fiscal year ended December 31, 2001. Also, the facility reported total operating expenses of \$5,031,887 for the period.

The Division of Quality Assurance inspected the quality of the facility's physical plant, professional staff, and patient services. The nursing facility met the required standards.

The following Medicaid reimbursable rates were in effect for the period covered by this examination:

<u>Period</u>	<u>Level NF-1 (744-0350)</u>	<u>Level NF-2 (044-5252)</u>
January 1 through June 30, 2001	\$ 92.47	\$155.98
July 1 through December 31, 2001	\$ 99.03	\$ 154.55

## **PRIOR EXAMINATION FINDINGS**

This is the first examination of Centerville Health Care Center under its current ownership.

## **SCOPE OF THE EXAMINATION**

Our examination covers certain financial-related requirements of the Medicaid Nursing Facility Program. The requirements covered are referred to under management's assertions specified later in the Independent Accountant's report. Our examination does not cover quality of care, clinical, or medical provisions.



**STATE OF TENNESSEE  
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**Independent Accountant's Report**

**December 17, 2003**

The Honorable Phil Bredesen, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Mr. Manny Martins, Director  
Bureau of TennCare  
729 Church Street, Fifth Floor  
Nashville, Tennessee 37247

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated December 17, 2002, that Centerville Health Care Center complied with the following requirements during the cost report period January 1 through December, 31, 2001, and to the facility's resident accounts for the period.

- Income and expenses reported on the Medicaid Cost Report are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Patient days reported on the Medicaid Cost Report have been counted in accordance with state regulations. Medicaid patient days billed to the state for periods when residents were hospitalized or on therapeutic leave are in accordance with the 15-day hospital stay rule, the 85 percent occupancy rule, and the 60-day therapeutic leave day rule.



- Charges to patients and charges to patients' personal funds are in accordance with state and federal regulations.

As discussed in management's representation letter, management is responsible for ensuring compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the facility's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants, and accordingly, included examining on a test basis, evidence about Centerville Health Care Center's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Centerville Health Care Center's compliance with specified requirements.

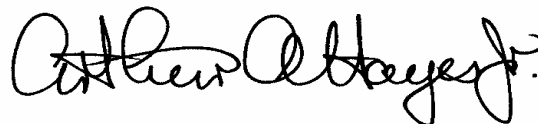
Our examination disclosed the following material noncompliance applicable to state and federal regulations:

- Deficiencies in accumulation of hospital leave days and support of reported days
- Need to properly manage unrefunded credit balances
- Nonallowable expenses included on the cost report
- Excessive charges to Medicaid residents

In our opinion, except for the material noncompliance described above, management's assertions that Centerville Health Care Center complied with the aforementioned requirements for the cost reporting period January 1 through December 31, 2001, and for resident accounts for the period January 1 through December 31, 2001, are fairly stated in all material respects.

This report is intended solely for the use of the Tennessee General Assembly and the Tennessee Department of Finance and Administration. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur A. Hayes Jr.", with a stylized flourish at the end.

Arthur A. Hayes, Jr., CPA,  
Director

AAH/pn

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## FINDINGS AND RECOMMENDATIONS

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1. DEFICIENCIES IN ACCUMULATION OF HOSPITAL LEAVE DAYS AND SUPPORT OF REPORTED DAYS

### Finding

Centerville Health Care Center improperly accumulated and charged for hospital leave days of Medicaid NF-1 residents while below 85% occupancy. Also, the facility records did not support 107 reported Medicaid NF-1 patient days.

Chapter 1200-13-1-.06 (4)b of the *Rules of the Tennessee Department of Finance and Administration* allows Level I nursing facilities to be reimbursed up to 15 days for a recipient's bed during his or her hospitalization, provided the following conditions are met:

- The resident intends to return to the facility and . . .
- At least 85% of all other beds at the nursing facility are occupied at the time of the hospital admission.

Paragraph 325 of the Intermediate Care Facility Manual also requires facilities to “maintain a system to track occupancy in order to avoid violation of this regulation.”

Chapter 1200-13-6-.15 of the *Rules of Tennessee Department of Finance and Administration* states:

The cost reports . . . must provide adequate cost and statistical data. This data must be based on and traceable to the provider's financial and statistical records and must be . . . available for and capable of verification. . . .

As a result of the inaccurate accumulation and reporting of hospital leave days, NF-1 Medicaid days were overstated by 149 days. The facility was overpaid \$12,312.25 for noncovered hospital leave days. In addition, Centerville Health Care Center did not adequately support days by payor type. The facility overstated NF-1 Medicaid days by 107 and understated NF-2 Medicaid days by 34; NF-1 private by 53; and NF-2 other by 20.

The effect of the adjustments for noncovered leave days and the associated charges and of unsupported days to the facility's Medicaid reimbursable rate is incorporated in finding 3.

### Recommendation

Centerville Health Care Center should establish adequate procedures to ensure compliance with applicable laws and regulations relative to hospital leave days. The facility should maintain adequate

documentation to support days reported on the cost report. The facility should refund \$12,312.25 to the State of Tennessee for overpayment of noncovered leave days.

### **Management's Comment**

We have reviewed the finding and agree with the adjustment. Measures will be taken to adequately report and account for resident days. Also, procedures have been put in place to comply with applicable laws and regulations relative to hospital leave days.

## **2. NEED TO PROPERLY MANAGE UNREFUNDED CREDIT BALANCES**

### **Finding**

Centerville Health Care Center has not established a system to ensure the credit balances on the account of deceased or discharged residents are properly managed. Management failed to refund the portion of the credit balances due the Medicaid Program.

Section 66-29-113 of *Tennessee Code Annotated* requires anyone holding funds or property presumed abandoned to file a report of that property with the State Treasurer. Chapter 1700-2-1-.19 of the *Rules of Tennessee Department of Treasury* states, "Before filing the annual report of property presumed abandoned, the holder shall exercise due diligence to ascertain the whereabouts of the owner to prevent abandonment from being presumed."

Accounts receivable unrefunded credit balances of \$1,108.99 remains on the account of four residents of Centerville Health Care Center. Of this amount, \$529.00 is due to the State of Tennessee and \$579.99 is due the United States Government for overpayments to the facility made on behalf of the residents.

### **Recommendation**

Centerville Health Care Center should maintain a system to refund credit balances on the accounts of former residents. The facility should maintain a record of the balances with the resident's name and social security number, the dates of last account activity and last owner contact, and the amount due the former resident. The facility should also maintain evidence of attempts to contact the owner of the credit balance. The facility should refund \$529.00 to the State of Tennessee and \$579.99 to the United States Government.

### **Management's Comment**

The credit balances in question have been refunded or corrected and are no longer outstanding. No additional repayment to the State of Tennessee or the United States Government will be needed.

### **Auditor's Conclusion**

Centerville Health Care Center provided documentation to confirm that the credit balances had been refunded and/or corrected. Therefore, no additional repayment is necessary to rectify this finding.

#### **3. NONALLOWABLE EXPENSES INCLUDED ON THE COST REPORT**

##### **Finding**

Centerville Health Care Center included \$15,042.13 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the year ended December 31, 2001. The nonallowable amount consisted of \$12,556.82 of expenses not adequately supported and \$2,485.31 of expenses not related to patient care.

Chapter 1200-13-6-.09(1)4 of the *Rules of Tennessee Department of Finance and Administration* states, "Adequate financial records, statistical data, and source documents must be maintained for proper determination of costs under the program." The rule also specifies that unnecessary costs and costs not related to patient care are to be deducted from allowable expenses.

As a result of the above adjustment and the adjustment to reported patient days and the associated charges noted in finding 1, the facility's Medicaid reimbursable rate was affected as follows:

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
July 1, 2002, through June 30, 2003	\$104.41	\$103.71	(\$.70)
July 1, 2003, through June 30, 2004	\$112.95	\$112.96	\$.01

Overpayments made to the facility as a result of the above adjustments total \$20,209.00 computed from July 1, 2002, through June 30, 2003. Underpayments made to the facility as a result of the above adjustments total \$288.70 computed from July 1, 2003, through June 30, 2004. The net overpayment to the facility for both years is \$19,920.30.

##### **Recommendation**

Centerville Health Care Center should include only allowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report." All reported expenses should be adequately supported, related to patient care, and in compliance with other applicable regulations.

The TennCare Bureau should take the necessary steps to recover the \$19,920.30 due to the State of Tennessee, which represents net overpayments by the Medicaid Program as a result of the rate adjustments computed from July 1, 2002, through June 30, 2004.

### **Management's Comment**

We agree with the finding. Additional measures have been taken to properly maintain financial records. Also, adjustments have been made to the cost report preparation to exclude the additional unallowable expenses.

#### **4. EXCESSIVE CHARGES TO MEDICAID RESIDENTS**

##### **Finding**

Centerville Health Care Center improperly charged private NF-1 residents less per day for room and board than Medicaid NF-1 residents were charged for the same services during the period October 1 through November 30, 2001.

Chapter 1200-13-1-.05(5) of the *Rules of Tennessee Department of Finance and Administration* stipulates that "(r)egardless of reimbursement rate established for an Intermediate Care Facility, no Intermediate Care Facility may charge Medicaid patients an amount greater than the amount per day charge to private paying patients for equivalent accommodations and services."

As a result of the excessive charges, overpayments totaling \$3,896.22 were made to the facility.

##### **Recommendation**

Centerville Health Care Center should maintain a system to account for revenue charged per day to private NF-1 residents at a rate equal to or greater than the Medicaid NF-1 rate. The facility should refund \$3,896.22 to the State of Tennessee, representing overpayments by the Medicaid program for the period October 1 through November 30, 2001.

### **Management's Comment**

Management concurs.

## **SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS**

### **Source of Overpayments**

Noncovered leave days (see finding 1)	\$12,312.25
Net rate adjustments (see finding 3)	19,920.30
Excessive charges to Medicaid residents (see finding 4)	<u>3,896.22</u>
Total	<u><u>\$36,128.77</u></u>

### **Disposition of Overpayments**

Due to the State of Tennessee	<u><u>\$ 36,128.77</u></u>
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